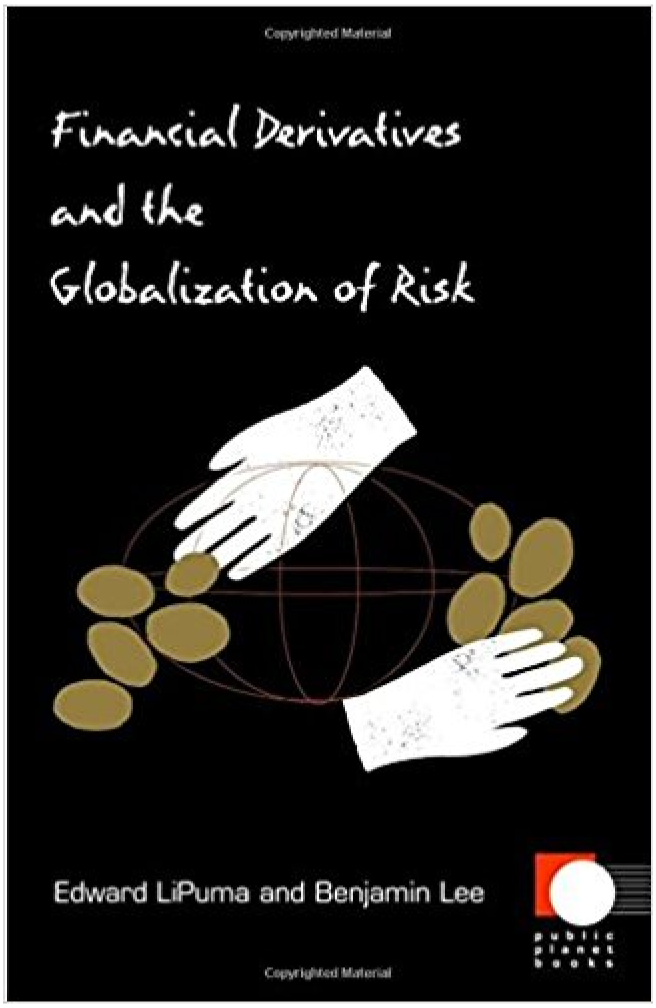
# Financial Derivatives And The Globalization Of Risk (Public Planet Books)



## Synopsis

The market for financial derivatives is far and away the largest and most powerful market in the world, and it is growing exponentially. In 1970 the yearly valuation of financial derivatives was only a few million dollars. By 1980 the sum had swollen to nearly one hundred million dollars. By 1990 it had climbed to almost one hundred billion dollars, and in 2000 it approached one hundred trillion. Created and sustained by a small number of European and American banks, corporations, and hedge funds, the derivatives market has an enormous impact on the economies of nationsÃ¢â ¬â •particularly poorer nationsÃ¢â ¬â •because it controls the price of money. Derivatives bought and sold by means of computer keystrokes in London and New York affect the price of food, clothing, and housing in Johannesburg, Kuala Lumpur, and Buenos Aires. Arguing that social theorists concerned with globalization must familiarize themselves with the mechanisms of a world economy based on the rapid circulation of capital, Edward LiPuma and Benjamin Lee offer a concise introduction to financial derivatives.LiPuma and Lee explain how derivatives are essentially wagersÃ¢â ¬â •often on the fluctuations of national currenciesÃ¢â ¬â •based on models that aggregate and price risk. They describe how these financial instruments are changing the face of capitalism, undermining the power of nations and perpetrating a new and less visible form of domination on postcolonial societies. As they ask: How does one know about, let alone demonstrate against, an unlisted, virtual, offshore corporation that operates in an unregulated electronic space using a secret proprietary trading strategy to buy and sell arcane financial instruments? LiPuma and Lee provide a necessary look at the obscure but consequential role of financial derivatives in the global economy.

## Book Information

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## Customer Reviews

“The prominence of a new kind of speculative finance capital in organizing global order and disorder is a topic of vital contemporary importance. By addressing this topic, this short, clear account advances the somewhat muddled debates over economic globalization.”—Craig Calhoun, president of the Social Science Research Council

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This book is great if you are interested in understanding derivatives and how they relate to globalization. This is definitely a book for those seeking a better understanding of how derivatives affect the world we live in, not just how to buy and sell them. The language can be dense at times but well worth it if you are really interested.

A very well written work. I wanted to learn about markets, invested a few hours in reading this book and learned everything from "what is a derivative, really?" to "what does that mean, really?" I'm lucky to have found this book when I did.I also like the texture of the book - the paper is unusually smooth.

Two sentences from chapter 1:"By analyzing the role of financial derivatives in the imbricated networks of global circulation that channel the movements of capital, we seek to illuminate the socio-structural character of financial circulation, deconstructing the ways in which derivatives encapsulate, quantify, and speculate on conceptualizations of risk created in the very process of circulation. The analysis will show that derivatives represent a new means of objectifying economic reality because they seek to capture and mediate the entire ensemble of relations that create the social through the concept of quantifiable abstract risk."btw, in case you don't know, as I didn't, imbricated means "so that they overlap like roof tiles." Right...My translation of all that gibberish?Risk is created through the circulation of money... and derivatives quantify and speculate on that risk. LiPuma and Lee analyze this by, uh, looking at the role of derivatives in the circulation of money...Their analysis shows that derivatives are a new way to think of economic reality because they mediate and represent the different social relations by quantifying abstract risk.Not impressed.Now, I certainly could not write a book on derivatives so I imagine that they know a lot more about this than I do and I am just a stupid simpleton who is not as sophisticated as the two of them... but nonetheless I have read a great deal of technical finance books in my time - by economists and mathematicians of course, not anthropologists so maybe I am just use to another language - and this is unnecessarily complicated and convoluted. They should have written a 20 page article instead.

If you want to learn about derivatives and their influence on the economy, the banking system and society in general: don't buy this book.This book was written by two anthropologists and you have to be an academic yourself to understand what they are saying. However, even if you understand these people the book has little value, because the authors just ventilate opinions with virtually no facts to back them up. There are very, very few references. There is no single graph, illustration, table or bullet list.The book does give some (unsupported) useful insights. However, you can also get those by just searching the Internet, in that case you do not have to work through 200 pages of painful reading.It is sad that this book is of such a poor quality. Derivatives do a form a danger to the current financial system. Ordinary people are also at risk, because of fiat money and of fractional reserve banking. Fiat money has no intrinsic value, the value depends on how others value it. Fractional reserve banking means that the bank does not hold your deposit (savings) for safekeeping. They just use it for making loans. If the bank goes bankrupt you loose your deposit.

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